For the year ended 31st December, 2001

1. General

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited (hereafter collectively referred to as the "Stock Exchanges").

The Group is engaged in the provision of transponder capacity.

2. Adoption of statements of standard accounting practice/changes in accounting policies

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, which became effective from 1st January, 2001. Adoption of these Standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised Standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

DIVIDENDS PROPOSED OR DECLARED AFTER THE BALANCE SHEET DATE

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment (see note 3).

LEASES

SSAP 14 (Revised) has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior year adjustment has been required. Disclosures for all the Group's leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

3. *Prior period adjustments*

The financial effect of the adoption of the new/revised accounting policies described in note 2 is summarised below:

	Retained profits HK$'000
Balance at 1st January, 2000	
As originally stated	1,788,655
Derecognition of liability for final dividend for 1999	54,611
As restated	1,843,266

In the Group's interim financial statements issued on 24th August, 2001, an adjustment was made to reverse a provision established in earlier years for estimated future costs of maintaining transponders sold under transponder purchase agreements as a result of the introduction of SSAP 28 *Provisions, Contingent Liabilities and Contingent Assets.* In preparing these financial statements, the Company also has to prepare supplementary information for holders of its American Depositary Receipts. In producing this supplementary information, the Group has considered the accounting principles of United States Securities and Exchange Commission Staff Accounting Bulletin No. 101 on *Revenue Recognition in Financial Statements* issued in 2000. This requires revenue be deferred and recognised over the expected period during which specified services are provided. In the light of this guidance, the Group has reconsidered its accounting policy and concluded it would have been more appropriate to have always classified the provision made for the estimated future costs of maintaining transponders sold as deferred revenue. Accordingly, the adjustment made in the interim financial statements has been reversed. This has no effect on the results for the year or prior years.

4. Significant accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of associates at the date of acquisition.

Goodwill arising on acquisitions is capitalised within the carrying amount of the associate and is charged to the income statement on a straight-line basis over its useful economic life or at such time as it is determined to be impaired.

On disposal of an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

SUBSIDIARIES

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

INTEREST IN ASSOCIATES

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition so far as it has not already been amortised, less any identified impairment loss.

4. Significant accounting policies (continued)

INTEREST IN ASSOCIATES (CONTINUED)

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

REVENUE RECOGNITION

Revenue from transponder utilisation agreements is recognised on a straight-line basis over the period of the agreements. The excess of lease rental revenue recognised on a straight-line basis over lease rentals received and receivable from customers in accordance with the contract terms is shown as unbilled lease rental receivable.

Revenue from the sale of transponder capacity under transponder purchase agreements is recognised on a straight-line basis from the date of delivery of the transponder capacity until the end of the design life of the satellite.

Deposits received in advance in connection with the provision of transponder capacity are deferred and shown as customer deposits.

Rentals under transponder utilisation agreements are generally billed quarterly in advance. Such amounts received in advance and amounts received from the sale of transponder capacity under transponder purchase agreements in excess of amounts recognised as revenue are recorded as deferred revenue. Deferred revenue which will be recognised in the following year is classified under current liabilities and amounts which will be recognised after one year are classified as non-current.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. Significant accounting policies (continued)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is provided to write off the cost of property, plant and equipment, other than assets under construction, over their estimated useful lives, on a straight-line basis, at the following rates per annum:

Satellites:	
AsiaSat 2	8%
AsiaSat 3S	6.25%
Leasehold land	Over the term of the lease
Tracking facilities	20%
Furniture, fixtures and fittings	20% - 33%
Office equipment	25% - 33%
Motor vehicles	25%
Plant and machinery	20%

Assets under construction are not depreciated until construction is complete and the assets are put into use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant accounting policies (continued)

TAXATION

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the income statement. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the income statement to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

RETIREMENT BENEFIT SCHEME

The pension cost charged in the income statement represents the contributions payable in respect of the current year to the Group's defined contribution schemes.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

OPERATING LEASES

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.